

March 1, 2018

U.S. Postal Regulatory Commission
901 New York Avenue NW, Suite 2000
Washington, DC 20268-0001



RE: 10-Year Regulatory Review

Dear Commissioners,

As a representative of The Hartford and a member of the mailing industry whose livelihood depends on a viable postal system, we are writing to convey our strong concerns to the changes you have proposed as a result of your 10-year review of the system for regulating rates. Last year, The Hartford accounted for over \$41.5 million in postage, utilizing first class letters and flats, marketing mail letters, international, certified and parcel products.

By the Postal Regulatory Commission's (PRC) conservative estimates, this proposal would increase the postage costs of mail by perhaps more than 27% for letters and more than 40% for some flats over a five year period.

Now more than ever it is critical that the PRC understands the effect that its proposal will have on The Hartford and other users of the mail. The CPI cap provided welcome predictability that allowed us to plan for moderate rate increases by the Postal Service. Abandonment of the CPI cap will introduce a degree of uncertainty that will make alternatives to use of the mail much more attractive and certainly result in an exodus of customers and their mail from the postal system.

Here is some background for how The Hartford has relied on the postal system and managed the rising costs, and the possible impacts from the PRC proposal:

- **Where we were:** Postage has increased 33.5% since 2002. Through innovations such as co-mingling, The Hartford has been able to keep production costs down so **the total mail package increase was only 17% over that fifteen-year timeframe.** Even with those efficiencies, the percentage of **overall marketing spend attributed to mail has gone from 68% to 37%** as other digital marketing opportunities have opened up.
- **Where we are:** As a top 5 mailer within the insurance industry, our mail marketing spend is fluent, based on return associated with each marketing channel. The Hartford's 2018 marketing budget has increased 60% over what it was 10 years ago, and unfortunately, due to mail cost increases, mail volume has only increased 14%. **This represents a lost opportunity for the US Postal Service** and will only be made more severe if the PRC moves forward with its proposal. Currently, 70% of our mail volume performs at a higher cost per sale than all other marketing channels. This volume is at risk.
- **Where we are headed:** With production cost-reduction opportunities largely exhausted, The Hartford is expecting to incur the full postage increases for the near future. While The

Hartford sees the true value in mail-based marketing, as mail costs go up, we are paying more for less return, making the mail channel less attractive in comparison to costs/return on digital marketing spend. Mail needs to be at a price point that is affordable in order to remain a viable marketing channel for The Hartford. If the PRC proposal is put into place, the USPS may see negative ramifications as companies like The Hartford weigh their marketing options and explore less expensive opportunities.

Predictability and affordability are two keys to The Hartford's continued use of the mail as a marketing and communications channel. The PRC's proposal provides the Postal Service excessively broad pricing flexibility at a time when tight margins and greater uncertainty regarding postage rates are making the mail an increasingly unattractive communications medium. For these reasons, we urge you to reconsider the adverse effects on mail volumes that could result from your proposal. We respectfully suggest that a solution be more appropriately focused on improved understanding and management of the costs within the Postal Service.

Regards,

A handwritten signature in cursive script that reads "Lucie Jameson".

Lucie Jameson
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